

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1876 - HB 2305**

February 22, 2018

**SUMMARY OF BILL:** Exempts from state and local sales and use tax all sales of caskets.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$4,061,400**

**Decrease Local Revenue – Net Impact – \$1,657,300**

Assumptions:

- Exempting sales of caskets from state and local sales and use tax will result in a reduction in state and local sales tax revenue.
- Based on information available from the federal trade commission, the average cost of a casket is \$2,000.
- Based on the Department of Health's Tennessee death data from 2013, there are approximately 63,199 deaths per year.
- It is assumed that approximately half of all Tennessee decedents are buried in a casket purchased in Tennessee.
- Approximate annual sales of caskets in Tennessee of \$63,199,000 (63,199 deaths x 50% x \$2,000).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$4,263,916  $[(\$63,199,000 \times 7\%) - (\$63,199,000 \times 7\% \times 3.617\%)]$ .
- A recurring decrease in local revenue of \$1,739,989  $[(\$63,199,000 \times 2.5\%) + (\$63,199,000 \times 7\% \times 3.617\%)]$ .
- Fifty percent of tax savings, or \$3,001,953  $[(\$4,263,916 + \$1,739,989) \times 50\%]$ , will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$202,536  $[(\$3,001,953 \times 7\%) - (\$3,001,953 \times 7\% \times 3.617\%)]$ .
- The recurring increase in local sales tax collections is estimated to be \$82,649  $[(\$3,001,953 \times 2.5\%) + (\$3,001,953 \times 7\% \times 3.617\%)]$ .

**SB 1876 - HB 2305**

- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$4,061,380 (\$4,263,916 - \$202,536).
- The net recurring decrease in local revenue as a result of this legislation is estimated to be \$1,657,340 (\$1,739,989 - \$82,649).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb